

VOICE of SAN DIEGO

Port signals support for \$550M in public funding for Seaport Village redevelopment



Six years after the Port selected a developer to rebuild Seaport Village, the developer now says the project requires half a billion public dollars for infrastructure.

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By Andrew Keatts

Six years after selecting developer 1HWY1 to redevelop Seaport Village, the Board of Port Commissioners Tuesday indicated it is on board with the developer's plan to seek \$550 million in public money to make the project happen.

The subsidy would help pay for things like stabilizing the shoreline, lifting the land to withstand sea level rise, and accommodating utilities, and pay for amenities that were a selling point for the project like an urban beach, parks, a boardwalk and an elevated “green strand” walkway modeled after The High Line in New York.

Public funds wouldn’t be used for revenue-generating infrastructure like parking garages, or for the \$2.6 billion in private development that would include 2,000 hotel rooms, an aquarium, observation tower, retail and office space or concert venue.

Yehudi “Gaf” Gaffen, who runs 1HWY1, had said he could build the project without public funds, covering upgrades out of profit from the private development. That changed, he said, when the bill for those upgrades swelled from \$150 million to \$1.2 billion.

Where the money is coming from: One chunk, about \$250 million, would come from special taxes on hotel rooms and tickets for attractions in the project. That would be on top of hotel taxes the city of San Diego charges.

The other chunk would come from a tax-increment financing district. The development would itself generate new tax revenue and a portion of that would be kept in the district. The port would use it to pay back the money borrowed to make the improvements outlined. Tax increment was a common source of public funding in downtown San Diego, before the state killed the redevelopment program in 2011. This could rely on a similar, little-used replacement, known as an enhanced infrastructure financing district, though that wasn’t detailed Tuesday.

That increment would come from increases to the property taxes, sales taxes, and hotel taxes that would flow to the county, city and school district.

Port commissioners, though, made clear that they are in favor of the idea and want the city’s help to study its feasibility.

“Folks are mischaracterizing it because they oppose any development on the site, period – they call it a subsidy,” said Port Commissioner Rafael Castellanos. “In the private sector they’d call it an investment, because you get a return on it. I implore the city to devote the resources necessary to vet the economic impact study, just as we will, to determine if the business case is there... If the return is there, we should invest in our region.”

“The reality does sound a lot different than a tax subsidy, or revenues funneled away from other things,” said Commissioner Michael Zucchet. “These are revenues paid for by things that don’t exist right now.”

Commissioner Ann Moore said she always expected some public funding, but she didn’t want it coming from the Port’s general fund, or using the Port’s general fund as a backstop for bonding.

“That’s a bottom line, we can’t go there, and so we do need participation from the city and county of San Diego,” she said.

What’s next: The Port could next month give preliminary approval to the project, which would allow the developer to begin its environmental review needed before it can seek approval from the state Coastal Commission. Gaffen said he hopes the project could break ground in 2025 or early 2026, ten years after the Port selected the developer.